

## Core Unit 1A – Understanding Retirement Provision (UK)

This was a 2-hour exam split between multiple-choice questions and free-format questions. Equal weighting of marks was given to both sections.

### Multiple-choice questions

There were 50 questions, each correct answer being worth 1 mark. There were two types of question, as follows:

- 40 questions where candidates select one correct answer from a choice of four possible answers, and
- 10 questions where candidates are given two statements and have to determine whether both are true, the first is true and the second is false, the first is false and the second is true, or both are false.

The questions were broadly representative of the entire syllabus.

In general, candidates achieved good scores on the multiple-choice questions, with scores ranging between 30 and 48 marks out of 50.

For the multiple-choice questions areas that candidates answered less well covered the following areas of the study material:

Subject	Study manual reference
Final salary	Part 4, chapter 2.1.1, page 73
Money purchase	Part 4, chapter 2.1.4, page 74
Employers	Part 2, chapter 1.17.1, page 37
Hybrid schemes	Part 4, chapter 2.1.6, page 77

### Short answer questions

There were seven short questions where candidates were required to write their answers in free format. Candidates are encouraged to devote one hour to this part of the examination.

The standard of answers appears to have improved markedly compared to previous years, although overall marks for this part of the exam were somewhat lower than for the multiple-choice part.

#### **Question 1**

List the perceived attractions and disadvantages for an individual in buying a property to rent out (buy to let) as a form of investment. (10 marks)

This question was reasonably well answered by the majority of candidates. While not strictly a pensions matter, many pension scheme members/ members of the public will ask whether they might be better off buying a property to rent out rather than saving into a pension. So, to answer such questions it is useful to know the perceived advantages and disadvantages of buy to let. Most candidates understood the main advantages - known income, familiar asset, prices always seem to rise. Fewer knew some of the other advantages - that it is seen as being immune to inflation and does not suffer volatility unlike stock markets.

Similarly, most candidates knew the main disadvantages that the investment can go wrong because of unexpected repairs, extended rental voids when the property is empty and that government action may impose higher costs such as the stamp duty surcharge on properties which are not an individual's main residence. Whilst many candidates mentioned that a property is an illiquid asset that can be difficult or slow to sell, surprisingly few stated that a loss can sometimes be incurred when selling.

The relevant section of the study manual is Part 1, Chapter 2.3.3.

### **Question 2**

Outline the two methods for granting tax relief on members' contributions to workplace pensions. (6 marks)

Most candidates understood the basic features of relief at source and the net pay method. Fewer stated that it is the provider that grosses up the contribution to a personal pension to provide the tax benefit, and fewer still stated that this was in respect of basic rate tax only and that higher and additional rate tax payers need to contact HMRC for full tax relief.

A number of candidates wrote instead about the EET principle (contributions exempt from tax, investments largely exempt, pension payments taxed) despite the question clearly stating that the question relates to members' contributions.

The relevant section of the study manual is Part 4, Chapter 1.2.2.

### **Question 3**

Describe the typical duties and responsibilities of a pension manager employed to oversee the operation of an occupational pension scheme and help it to run efficiently. (7 marks)

This question was reasonably well answered. Most candidates had a good idea of what an occupational pension scheme manager does, although they did not recall all of the duties and responsibilities which are set out in the tuition manual. They commonly mentioned managing a team of administrators, preparing annual financial reports and reports on the scheme's financial performance, liaising with professional advisors and liaising with payroll and HR. Fewer mentioned acting for trustees in handling disputes under the internal disputes resolution procedure, planning new schemes and developing existing ones or promoting the pension schemes.

The relevant section of the study manual is Part 2, Chapter 1.17.2.

### **Question 4**

Identify the statutory objectives of the Pensions Regulator. (5 marks)

Most candidates identified the Pensions Regulator's statutory objectives as protecting the benefits of members of workplace pension schemes, promoting good administration of such schemes, reducing the risk of claims for PPF compensation and maximising compliance with the employer duties relating to automatic enrolment. Fewer noted the more recently introduced objective of minimising any adverse impact on the sustainable growth of an employer.

The relevant section of the study manual is Part 2, Chapter 1.1.

### **Question 5**

Write brief notes about

- (a) Statutory Sick Pay (4 marks)
- (b) Statutory Maternity Pay. (3 marks)

The vast majority of candidates demonstrated good knowledge of both of these state benefits and many scored maximum marks for this question. However, some candidates' answers covered the basic principles but either did not quote the actual monetary rates or gave inaccurate figures.

The relevant section of the study manual is Part 3, Chapter 2.1.1 and 2.1.2.

### **Question 6**

List the main areas where there are differences between occupational trust-based pension schemes and contract-based pension schemes. (7 marks)

In general, candidates found this question quite challenging. Marks were generally lower than for the other questions in this paper, although some candidates did score maximum marks. The question was based on part 4 chapter 3 of the study manual and in particular on the data in the table on page 95.

A number of candidates interpreted the question as asking about the differences between defined benefit and defined contribution schemes, perhaps indicating that they failed to realise that occupational trust-based schemes can be either defined benefit or defined contribution.

The question asked for a list of the main areas where there are differences but most candidates wrote a short essay style answer, referring to perhaps just a couple of key differences and then elaborating on them in some detail, rather than giving a list. Candidates should always read the questions carefully and seek to write an answer in the requested format and style.

The relevant section of the study manual is Part 4, Chapter 3.9.

### **Question 7**

Outline the responsibilities of the National Insurance Contributions and Employer Office (NIC&EO) and the type of enquiries NIC&EO deal with. (8 marks)

Most candidates were able to set out the main tasks of the National Insurance Contributions and Employer Office. In particular, they were able to list the areas on which NIC&EO answers enquiries from the public about their National Insurance records, contributions and employment histories. Most also made reference to administering the legacy contracted-out system.

The relevant section of the study manual is Part 2, Chapter 1.10.2.